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SUBJECT: AFGHANISTAN COMPACT: THIRD JCMB SESSION TAKES A HARD LOOK
AT AFGHAN PROGRESS AND THE WAY FORWARD

SUMMARY

1. The third session of the Afghanistan Joint Coordination and Monitoring Board (JCMB) was held in the presence of a visiting UN Security Council delegation on November 12. UNAMA and Afghan co-chairs reported that the Afghanistan Compact process is taking hold and actively helping to shape Afghan government priority-setting, strategies, and accountability. Marking six months since its inauguration in late April, the full JCMB endorsed a refreshingly candid, first Biannual JCMB Report, reflecting input from Afghan line ministries and international donors. (Post has transmitted to SCA/A the final adopted text of the JCMB-III Biannual Report. The text is also available at the following website: WWW.ANDS.GOV.AF.) Key GoA leaders responsible for counter-insurgency, counter-narcotics, and anti-corruption outlined efforts to address these critical challenges, and proposed increased donor engagement. Both GoA speakers and donors echoed key themes of the London Conference, including the need to invigorate capacity building and strengthen weak institutions, and pointed to budget constraints, including bottlenecks in aid disbursement and sustainability issues, as impediments to progress. Ambassador Neumann commended UNAMA and the GoA for producing a constructive first Report, and urged vigorous follow-on to sustain broad international and Afghan support. The Ambassador welcomed recommendations for improving AID effectiveness; emphasized that security and development be pursued in tandem, and called on donors to work in partnership to strengthen capacity building in key ministries and provinces. The JCMB approved a request from Norway, Denmark, Sweden, and Finland to add a rotating joint Nordic seat to the JCMB. END SUMMARY.

2. The Joint Coordination and Monitoring Board (JCMB) on November 12 held its third semi-annual session, in the presence of a visiting delegation of the UN Security Council. The JCMB oversees implementation of the Afghanistan Compact signed in February 2006 at the London Conference on Afghanistan. Marking six months since the JCMB inauguration in late April, discussion focused on a first Biannual JCMB Report, which was endorsed at the end of the session by the full JCMB body. The report will be published by UNAMA, and

updated on a six-month basis.

MOVING FROM COMPACT TO IMPACT

¶3. Opening remarks by Foreign Minister Spanta and Afghan Vice President Ahmed Zia Massoud highlighted the distance that Afghanistan has covered in five years. Contrary to the negative perceptions in media and international circles recently, both pointed to the country's achievements since the Bonn Conference -- citing especially human rights, education, and institution building.

Spanta acknowledged, nonetheless, less success in demonstrating tangible benefits to the Afghan population. Keying off of the first sentence of the JCMB Report, Massoud and later other GoA speakers, recited the phrase "moving from compact to impact" as a key theme for JCMB III, and insisted that success will come only when the Afghan people believe they are seeing more positive change in their daily lives. The opening speakers each avowed that such success would hinge on sustaining a vigorous partnership with the international community.

¶4. VP Massoud welcomed the visiting delegation of UNSC Ambassadors as a helpful manifestation of international commitment to Afghan political stability and economic prosperity. He underscored that the GoA remains steadfast to its Bonn and London commitments, and is making steady progress. While the London Compact benchmarks are helpful guideposts, Massoud said it is the overriding goals of stability, security, and economic development that are critical to solidifying Afghanistan's future. Like Spanta, Massoud said that he did not want to minimize the very serious challenges confronting the Government, and urged participants to focus on key steps to address these priorities:

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Q Ensuring security backed by vigorous efforts to reform Afghan security forces, particularly the police.

Q Strengthening delivery of basic Government services, and taking on the scourge of corruption that undermines GoA performance.

Q Countering poppy production, including support for alternative livelihoods and a harmonized international stance on eradication.

Q Redoubling efforts to meet key London Benchmarks.

¶5. Afghan co-chair and Presidential Economic Adviser Ishaq Nadiri then began JCMB deliberations with a recitation of Afghanistan's shared interests with the international community, stressing that the terrorists had lost their base, but not disappeared, and that the Taliban is still exploiting GoA weakness. Because isolation had fueled dislocation and instability - including migration, political violence and terrorism - he described continued political and economic integration with its surrounding regions as the only viable strategic vision for success in Afghanistan. The upcoming Regional Economic Cooperation Conference (RECC) in Delhi would, in his view, help to further this goal. Nadiri maintained that the JCMB process is taking hold and actively helping to advance Government strategies, capacity, and accountability. He stressed that the JCMB report, in this spirit, reflected the input of key government leaders and their ministries, and does not minimize the difficulties facing Afghanistan. In addition to repeating the problems highlighted by Massoud and Spanta, Nadiri stressed the debilitating impact of pervasive unemployment, particularly in rural areas such as the South. To address the other three major concerns articulated in the Biannual Report, he invited presentations by the key Afghan figures responsible for security, anti-narcotics and anti-corruption policy.

FOCUSING ON SECURITY, ANTI-NARCOTICS AND ANTI-CORRUPTION

¶6. Afghan Chief Justice Abdul Salaam Azimi briefed participants on GoA efforts to combat corruption, which he repeatedly described as a virus that all Afghans must fight. Azimi, who chairs President Karzai's Anti-Corruption Commission, reported that he had already held 18 sessions and had adopted a framework for comprehensive

analysis of government practices and rules that enable corruption. Part of this effort has been calling each Minister directly before the Commission for review of specific ministry responsibilities and structures. Key problem areas that he identified include non-transparent contracting and procurement and serious deficiencies in collection of customs revenue. Countering these deficiencies, Azimi stated, would require urgent technical and financial assistance from the country's international partners.

17. Counter-Narcotics Minister Habibullah Qadiri described narcotics as a plague, interlinked with both corruption and security, that impeded every area of national development. He briefly laid out the GoA's response, as encapsulated in its new Counter-Narcotics Implementation Plan, a cabinet-approved roadmap to combating poppy production and opium trade. Qadiri asked for explicit JCMB endorsement of the Plan as the foundation for GoA efforts. Noting that implementation will depend on generous funding of the Counter-Narcotics Trust Fund (CNTF), Qadiri expressed appreciation for pledges to date of USD 83.6 million, of which some USD 40 million in assistance has been received to date. The ministry is now intensifying its work with line ministries to develop specific projects to advance the plan. Twelve projects with total funding of USD 16 million have already been approved.

18. A final government presentation made by National Security Adviser Zalmai Rasoul accentuated focus on the linkage between security and development. Rasoul outlined the key elements of the GoA's five-year security assessment as the need to accelerate army and police reform; fight corruption and drugs; and improve coordination of international and foreign forces. Formation of the Policy Action Group (PAG) to focus security efforts and extension of government in the South had been a key development. In conjunction with the PAG's efforts, Rasoul believed that the Afghan Development

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Zone strategy linking security to development efforts could play a role in helping to counter the insurgency in these four PAG-designated southern provinces. Alongside these efforts, he averred the Government's determination to press for Ministry of Interior reform and deliver on effective implementation of its plan for auxiliary police.

DONORS TO STEP UP CAPACITY AND INSTITUTION BUILDING

19. In framing the ensuing discussion, co-chairs Nadiri and UNAMA Special Representative Tom Koenigs echoed key themes of the London Conference, including the need to invigorate capacity building and strengthen fledgling institutions. Nadiri again called for more assistance to be funneled through the GoA's budget, arguing that government capacity can not be built through parallel foreign assistance structures. He mentioned Afghan interest in attracting returnees from its diaspora, and added that engaging expertise from nearby countries is preferable to current dependence on high-paid foreign consultants. Minister of Finance Ahady echoed this GoA call for moving donor funds through the core government budget, terming it a key determinant of AID effectiveness. Moving more funds through the GoA, he claimed, would help strengthen government capacity, increase Afghan "ownership," and ease the task of prioritization. Just as important, in Ahady's view, is ensuring that assistance-related funds are spent to the maximum extent in Afghanistan and employ Afghan workers. Along these lines, Ahady praised the U.S. military's program to buy from local Afghan producers (i.e., the "Afghan First Program"), noting that the value of CFC-A's Afghan purchases has risen from 34 percent to 54 percent of its commercial supplies.

110. In this connection, Ahady claimed progress in executing the GoA's core budget, noting that disbursement figures are improving, though he acknowledged that a large gap still remains between the government's initial obligation or "contracting" of funds, and actual spending/disbursement. Part of this, he maintained, is the result of strict national and donor procurement requirements needed for transparency and as a guard against corruption. This also means, according to Ahady, that the GoA has little flexibility to

re-allocate unspent assistance funds to critical-need areas in the South, though he currently is working to shift the limited amount of funds deemed possible, in connection with priorities established through the Policy Action Group (PAG). Note: The GoA counts money when it is assigned to a project, a kind of general obligation to fund a particular item, and when the money is used to pay bills, that is, actually disbursed. It has no procedure for recording the intermediate phase of obligating money to a specific contract.

¶11. Ultimately, Ahady averred, the government's viability would be measured by its ability to fund its own budgets. Ahady pointed to initial successes this year, stating that GoA revenues will exceed its target of \$520 million, while referencing the requirement of "maximum fiscal discipline" under the PRGF program with the IMF. The GoA had recently completed its mid-year financial review and is preparing for presentation of next year's (Afghan Year 1386) budget in February. He expressed optimism that the GoA could double current revenues in the next three years, but described the country's fiscal environment as unpredictable, contending that the GoA would benefit from greater budget flexibility.

SUSTAINING BROAD INTERNATIONAL AND AFGHAN SUPPORT

¶12. Following the government presentations, co-chair Koenig opened the floor to donor interventions and solicited any requests for changes in the proposed JCMB Bi-annual Report. The Iranian Ambassador opened the discussion by praising Afghanistan's "significant progress on democracy, human rights, and the economy." He credited Iran with providing significant assistance, including on roads and power infrastructure, and noted that increased opium cultivation and a slowing return of Afghan refugees pose particular

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concerns for Iran. The Indian Ambassador also highlighted his country's assistance efforts, including hosting of the upcoming November 18-19 RECC in Delhi, but said that insurgency is impeding implementation of important projects in affected areas.

¶13. Ambassador Neumann commended both UNAMA and the GoA for producing a JCMB report that focused discussion on key issues and actions needing high-priority attention. Noting the number of articles recently in the international media suggesting that the situation here is deteriorating, Ambassador Neumann argued that Afghans and donors needed to move aggressively together to sustain support from the broad international community and the Afghan people. He welcomed recommendations in the JCMB report for improving AID effectiveness, and signaled that the USG has begun a round of consultations with other donors on ways to step up capacity building in key ministries and provinces. Priority also needs to be given, he pronounced, to increasing GoA revenues, including through the multi-donor Border Management Initiative. This was important, in light of recognition in the JCMB Report of the longer-term recurrent cost implications of development spending under the ANDS.

¶14. The Ambassador endorsed the call for more vigorous action on Rule of Law, corruption, and narcotics; reiterated strong USG support for Police reform, and urged donors to expand funding through the Law and Order Trust Fund (LOTFA). Referencing progress on Phase II Police reform and GoA implementation of its proposal for Auxiliary Police, the Ambassador emphasized that the changes in the security situation since London compel both the GoA and international community to take an approach that firmly, but also flexibly, deploys in tandem both security and development tools.

¶15. The UK Ambassador focused his intervention on counter-narcotics, noting that the London Compact's five long-term benchmarks on this scourge would be particularly difficult to meet. The UK view is that Qaderi has developed a good strategy, but now needed to pull in key GoA ministries, including Public Health, Education, Rural Development, and the MFA. This effort needed to be matched by increased donor contributions to the CNTF. Donors would not be convinced, he warned, until they see major drug arrests, including of GoA officials.

¶16. World Bank Regional Director Alistair McKechnie honed in on budget reform, including the need for greater donor support for the government's budgeting, project development, and procurement capacities. McKechnie cautioned the GoA to maintain fiscal discipline and budget transparency, noting that the Bank and other donors could consider committing additional technical support to improve disbursements for priority development projects.

¶17. The last segment of the program, in which UNAMA's Koenigs invited any further comments or proposed revisions to the draft Biannual Report, turned out to be uneventful. Initial Pakistani protestations for deletion of draft language calling for Pakistan to cooperate more actively to combat the cross-border insurgency were addressed through an innocuous textual revision (note: second sentence of Para 15 of the Report). With a few other minor drafting changes, all participants agreed to endorse the JCMB Biannual Report, which had been shared and commented on prior to the session.

As another order of business, Nadiri and Koenigs put forward a request from Norway, Denmark, Sweden, and Finland to add a rotating joint Nordic seat to the JCMB. With no objections forthcoming, Koenigs moved to seat the Norwegian Ambassador as the current Nordic representative. Post has transmitted to SCA/A the final adopted text of the JCMB-III Biannual Report. The text is also available at the following website: WWW.ANDS.GOV.AF.

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